

### Partisan veto players in Australia, Denmark, Finland and Germany: government status and legislative behavior

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**MPIfG Working Paper 03/11, October 2003**

**Government Status and Legislative Behavior  
Partisan Veto Players in Australia, Denmark,  
Finland and Germany**

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**Abstract**

In parliamentary systems, parties compete for votes and offices in the electoral arena but in many systems they also cooperate in the legislative arena. This paper examines the question of whether the government status of parties affects their legislative behaviour and, hence, policy outcomes. We develop a simple veto player model that includes parties' positional goals (vote, office, etc.) to formalize the notion of accommodating legislative behaviour. The model predicts that government parties are most accommodating while opposition parties are least accommodating. The hypothesis is then tested by comparing two pairs of most similar political systems: Danish and Finnish coalition governments, as well as German and Australian bicameralism. The case studies support the main hypothesis that government status systematically affects parties' level of accommodation. We conclude that this has important implications for the two major approaches in comparative institutional analysis advanced by Lijphart (1999) and Tsebelis (2002). Whilst Lijphart's distinction between joint and divided responsibility cannot provide a consistent theoretical rationale of his two-dimensional map of democracies, Tsebelis' conception of purely policy-seeking actors may be insufficient to adequately identify veto players in comparative research.

**Zusammenfassung**

In parlamentarischen Systemen konkurrieren Parteien um Wählerstimmen und Ämter, aber in vielen Systemen kooperieren sie auch in der legislativen Arena. Das Papier untersucht die Frage, ob der Regierungs- versus Oppositionsstatus von Parteien ihr legislatives Verhalten und somit Politikergebnisse beeinflusst. Wir entwickeln ein einfaches Vetospielermodell, das positionale, das heißt auf Wählerstimmen oder Ämter bezogene, Erwägungen in den Politikpräferenzen von Parteien berücksichtigt und damit die verbreitete Vorstellung von (nicht-)akkommodierendem legislativem Verhalten formalisiert. Das Modell impliziert, dass Regierungsparteien am stärksten akkommodierend sind, Oppositionsparteien am wenigsten. Die Hypothese wird mit Hilfe zweier Vergleiche in einem most similar case Design getestet. Der erste Vergleich stellt dänische und finnische Koalitionsregierungen einander gegenüber, der zweite das deutsche und das australische Zweikammersystem. Die Fallvergleiche stützen die Hypothese, dass der Regierungsstatus von Parteien beeinflusst, wie akkommodierend sie sich verhalten. Das Ergebnis hat wichtige Implikationen für zwei bedeutende Ansätze in der vergleichenden Analyse politischer Institutionen: Lijpharts' Unterscheidung von Mehrheits- und Konsensdemokratien und Tsebelis' Vetospielertheorie. Lijpharts theoretische Gegenüberstellung von „gemeinsamer“ und „getrennter“ Verantwortung für Politikergebnisse liefert keine konsistente theoretische Begründung für seine zweidimensionale Messung moderner Demokratien; Tsebelis' Konzeption von Akteuren, die nur an Verbesserungen im Policy-Raum interessiert sind, scheint nicht hinreichend, um in vergleichenden Studien Vetospieler angemessen zu identifizieren.

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## 1 Introduction

In parliamentary systems, parties compete for votes and offices in the electoral arena but in many systems they also cooperate in the legislative arena. Though this creates tension for all parties, the nature of this tension may differ according to parties' "government status". Legislative parties may belong to the government, to the opposition or be neutral. A neutral party is here defined as one that has no chance of winning government office.<sup>1</sup> The question we seek to answer in this paper is whether parties' government status affects their legislative behaviour and, hence, policy outputs.

The literature on comparative political institutions does not give a clear answer to this question. On the one hand, many in-depth studies of particular countries find, at least with respect to popular policies, that opposition parties potentially supporting a government proposal are frequently reluctant to collaborate with the government because they find it difficult to claim credit for policy change (e.g., Huber 1999). Thus, "agreement may be thwarted by the pressure to compete ..." (Scharpf 1997: 192). On the other hand, two outstanding approaches to comparative political institutions – those by Tsebelis (2002) and Lijphart (1999b) – do not allow for any significant effect of government status on legislative behaviour. In Tsebelis' (2002) veto player theory, the status of parties does not matter because veto players are conceptualized as pure policy-seekers in the legislative arena. The only relevant characteristic of a veto player is its ideal point and/or its internal cohesion. In the case of (one-party) minority governments, opposition parties are disregarded completely, based on the argument that in general they do not have effective veto power. Lijphart's approach (1999b) – linked to veto player theory by Birchfield and Crepaz (1998; see also Crepaz 2004) – is more ambiguous. In search for a theoretical rationale behind the two empirically identified dimensions of democracy, Lijphart draws on Goodin (1996) and argues that policymaking interactions along the executive-party dimension are characterized by "collective agency and shared responsibility", while those along the federal-unitary dimension are not. "Based on this perspective, I considered changing the labels of the two dimensions to 'joint-power' and 'divided power' dimensions ..." (Lijphart 2003: 23).

To see what "collective agency and shared responsibility" means, we have to consult Goodin. Trying to make the case that U.S.-style divided government is fundamentally different from coalition government in parliamentary democracies, he states:

"True, parliamentary parties may face a formally analogous task in hammering out the legislative agenda for a coalition government. But where there is a formal coalition, collective agency has been created, and all parties to it will be judged at least in part by its successes or failures. Where, as in the United States, there is merely coalition-like governing, there is no collective agency and no shared responsibility." (Goodin 1996: 331, emphasis in original)

This conception of shared responsibility is not perfectly congruent with Lijphart's two dimensions of democracy. For example, when minority governments have to bargain with opposition parties about

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1 We focus on the case where it is technically impossible for a party to be part of the governing coalition, because it is not represented in the lower chamber of parliament. An important example, discussed in more detail below, is minor parties in the Australian Senate.

their policy agenda, no collective agency is established. It is governing parties, and not the opposition parties, that have the main responsibility for policy changes. Empirically, however, frequent minority governments are assumed to make countries more “consensual” on the executives-parties dimension, not the federal-unitary dimension (Lijphart 1999b, ch. 6).

In this paper we want to explore the conjecture of Goodin (and others) that government status matters for legislative behaviour and, thus, policy outputs. In section 2, the issue is tackled theoretically. We take the standard veto player framework as our starting point because we seek to analyse the potential for policy change. However, we follow Goodin (1996: 331) arguing that “in terms of the larger reelection game it may be more in the interests of each other [e.g., a Democratic president and a Republican Congress] to eschew compromise and try to lay the blame for consequent policy failure on the other”. To model this kind of logic, we distinguish between parties’ policy ideal points on the one hand, and their positional consideration (vote, office, etc.) on the other, and argue that the positional considerations of the three types of parties differ systematically for two reasons. First, since government parties bear formal responsibility, they expect larger positional gains than the other types of parties simply from “getting things done”. In other words, the eagerness to achieve policy change is greater for government parties than for neutral and opposition parties. Second, since opposition parties have difficulty claiming credit for political change, they demand significant policy gains in order to send a clear signal to voters that their participation in policymaking makes a difference. Hence, the sensitivity for policy sacrifices is greater for opposition parties than for neutral and government parties. Viewing the eagerness to achieve policy change and sensitivity for policy sacrifices in conjunction, we show that the preferred-to-sets, the sets of policies that parties prefer over the status quo, are largest for government parties and smallest for opposition parties. As a consequence, the potential for policy change, that is, the size of the winset of the status quo, tends to be smaller when opposition parties participate in policymaking.

In section 3, we undertake an initial qualitative test of this government status hypothesis by performing comparisons of legislative politics in two pairs of “most” similar political systems: Denmark and Finland, as well as Germany and Australia. In both pairs, countries resemble each other in many crucial aspects but often differ in the government status of the veto players. The case comparisons support our main hypothesis: the partisan actors needed to pass government policies tend to be more accommodating if they are not in direct opposition to the government – that is, if they are either part of the government or do not compete for government office. The final section discusses our results, draws out implications for various literatures, and makes suggestions for further research.

## **2 Government Status in a Simple Veto Player Model**

Let us start with the veto player framework (Tsebelis 2002) which is based on standard spatial model assumptions. First, any individual actor has a most preferred policy in a one- or multidimensional space of all policies that are on the agenda. Second, preferences are assumed to be symmetric and single-peaked around this ideal point so that for any two policies the preferred one is closer to the ideal point. Given the assumption that there are “veto players”, that is, actors that have to consent on any policy change, a non-empty set of all policies that can beat the status quo indicates the possibility of policy change. As a result, the utility function of an actor may look as follows:

$$U_i = \begin{cases} X & \rightarrow \mathbf{R} \\ x & \rightarrow -\|x - x_i\| \end{cases} \quad (1)$$

where  $X \subseteq \mathbf{R}^n$  represents the policy space and  $U_i$  the policy utility of actor  $i$ , which is a function of the  $x$  policy and depends on the actor's ideal point  $x_i$ . All actors are concerned about is to move the status quo as close as possible to their own ideal point. As far as political actors are actually vote-seeking, electoral gains are supposed to be monotonically increasing in the distance between ideal point and status quo replacement.

Tsebelis has clearly worked out three major implications that follow from the policy-seeking assumption. First, leaving internal cohesion aside, the only variable that, given some status quo policy, determines the legislative behavior is the ideal point of the player in the policy space. For this reason there is nothing that distinguishes the U.S. president from, say, a small coalition party in Denmark. Second, since a veto player cares only about policy gains, she always accepts even very small gains as long as they exceed the decision or transaction costs – and if her agenda-setting power does not allow her to extract larger gains. This implies that if the agenda-setter is located in the center of a multidimensional policy space, it will typically not have to make concessions at all (Tsebelis 2002: 97–99). Therefore, minority governments, especially one-party governments, are treated as facing no veto players. Finally, since a veto player cares only about policy gains, she never accepts policy losses, that is, a policy moving the status quo away from her ideal point. As a result, Tsebelis' counts all members of oversized coalitions as veto players: if the winset of the status quo is non-empty, the coalition parties will only accept winset alternatives; and if it is empty, then the coalition will not form or dissolve.

In the following paper, we will relax the policy-seeking assumption in order to model parties' positional considerations. We start by distinguishing policy change from political change. Policy change refers to the content of politics: an increase in expenditure or raising of a tax etc. In terms of the policy space  $X$ , policy change means any change of the status quo policy. In contrast, political change refers to the form or instruments of politics and becomes visible as the product of legislative or government activity: a new governmental regulation, the modification of an existing law, or the passing of a parliamentary resolution. Two characteristics are fundamental to our distinction between policy and political change: first, political change may involve policy change but it need not do so; second, from the voters' point of view, political change signifies that issues on the public agenda are being tackled whether or not this involves policy change. Formally, we distinguish between the policy space  $X$  and a binary decision space  $D = \{0, 1\}$ , where  $d = 1$  and  $d = 0$  signify the decision and the non-decision, respectively. Given these parameters, we distinguish between three types of change:

**Table 1: Three Types of Change**

	$x_0 = x$	$x_0 \neq x$
$d = 0$	stability	exogenous shock
$d = 1$	symbolic politics	substantive politics



“Substantive politics” refers to government decisions or parliamentary legislation that involves substantial changes in the status quo. “Symbolic politics” means that political actors engage in governmental or parliamentary activity on an issue on the political agenda without changing the status quo. “Exogenous shock” means that the status quo changes for external reasons so that political actors cannot claim credit for it. Finally, “stability” exists when the relevant actors are either not interested in or cannot agree on change.

The distinction between policy and political change allows us to introduce a specific notion of “responsibility” for policy outputs into the standard veto player model.<sup>2</sup> If actors are able to claim responsibility for legislative acts and if credit-claiming promises to reward electoral gains, political actors care about political change rather than mere policy change. Following the literature on party motivations in parliamentary systems (Strøm 1990), we add a “positional” component to the standard policy-dependent utility function of political actors. Specifically, we assume that political change is associated with a variable positional gain (or loss if negative) that reflects the varying expectation of actors regarding the consequences of the political decision to change the status quo for their future vote share as well as their future access to government offices, agenda-setting power, etc.<sup>3</sup> It is exactly here where parties in government differ from opposition parties or neutral actors.

Formally, we define utility functions  $U_i^*$  on the alternatives for political change rather than the policies themselves. Utilities are, therefore, defined on the product of the spaces of the formal decision  $D$ , the location of status quo ex ante in  $X$ , and its replacement in  $X$ :

$$U_i^* = \begin{cases} D \times X \times X & \rightarrow \mathbf{R} \\ (d, x_0, x) & \rightarrow -\|x - x_i\| + \|x_0 - x_i\| + d(\sigma_i \|x_0 - x_i\| - \gamma_i \|x - x_i\|) \end{cases}$$

where  $\sigma_i \geq 0, \gamma_i \geq 0$ . (2)

The variables  $d \in D$  denote the decision ( $d=1$ ) or non-decision ( $d=0$ ), while  $x_0$  and  $x \in X$  are the status quo and its replacement. The  $\sigma_i$  and  $\gamma_i$  parameters are used to model the positional utility that actors are rewarded with when making a decision. Whilst the first two terms in the utility function refer to the standard spatial model, the third component is the positional utility that actors can expect only if they make a decision and induce political change.

To model the positional utility component we first assume that actors may receive a non-negative positional utility  $\sigma_i$  from policy change. One main source of this is the expected electoral gains derived from claiming credit for policy change. We assume that electoral gains depend on the distance between the status quo and the actor’s ideal point. Gains from credit claiming are ceteris paribus lower for status quo locations that are close to her ideal point ( $\sigma_i \|x_0 - x_i\|$  is increasing in  $\|x_0 - x_i\|$ ). The source of  $\sigma_i$  is not necessarily restricted to electoral expectations, but may also reflect the benefits parties receive from becoming and staying part of governing coalition, e.g., government offices, patronage resources, or agenda-setting power. Since the stability of governing coalitions depends on its ability to agree on policy change (Tsebelis 2002), parties that value the above-mentioned benefits may

<sup>2</sup> For a different way to model parties’ positional goals, see Heller (2001b).

<sup>3</sup> In a slightly different framework one can make actors’ positional expectations dependent on their voting behavior instead of whether or not the status quo is changed (cf. Huber 1996).

attach positive positional utility to policy change. The  $\sigma_i$  parameter thus captures parties' *eagerness to achieve policy change*.

The second assumption we make is that positional utility is highest at the ideal point but decreases as the status quo replacement moves away from it ( $-\gamma_i \|x - x_i\|$  is decreasing in  $\|x - x_i\|$ ). The underlying idea is that as the potential replacement is farther away from her ideal point, it becomes increasingly difficult for the actor to sell the policy reform as a success to her (potential) voters. Thus, the  $\gamma_i$  parameter measures actors' *sensitivity for policy sacrifices* (cf. Huber 1996).

To understand the implications of the two parameters, it is useful to compare the preferred-to-sets of the status quo of any player  $i$  in the conventional and the modified model,

$$P_i(x_0) = \{ x \mid U_i(x) - U_i(x_0) > 0 \} \text{ and } P_i^*(x_0) = \{ x \mid U_i^*(d, x_0, x) > 0 \}.$$

For the first case, we know that  $x$  is preferred to the status quo if  $\|x - x_i\| < \|x_0 - x_i\|$ , whereas in the second case it must hold that

$$\|x - x_i\| < \frac{1 + d\sigma_i}{1 + d\gamma_i} \|x_0 - x_i\|$$

If  $d = 0$ , then no decision is taken rendering no positional gains so that actors utility functions represent policy preferences as in the standard model. If  $d = 1$ , the differences between the two models is expressed by the term

$$\rho_i = \frac{1 + \sigma_i}{1 + \gamma_i} \quad (3)$$

The  $\rho_i$  ratio summarizes the effects of actors' non-policy goals (office, votes, etc.) on their behavior in the policy arena. If actors' eagerness to achieve policy change, measured by  $\sigma_i$ , outweighs their sensitivity to policy sacrifices, captured by  $\gamma_i$ ,  $\rho_i$  is greater than one and the preferred set increases. Conversely, if the sensitivity to policy sacrifices outweighs eagerness to achieve policy change,  $\rho_i$  is smaller than one and the preferred set decreases. If  $\sigma_i$  and  $\gamma_i$  balance each other,  $\rho_i$  equals one and actors behave like pure policy-seekers as in the standard model. In other words,  $\rho_i$  measures how "accommodating" actors are in the legislative arena. The higher an actors'  $\rho$ , the easier it is to agree with her on a change of the status quo, everything else being equal.

There is another, more intuitive way to think about the meaning of  $\rho_i$ . In the standard model, actors only care about increasing their policy gain by substituting the status quo with some replacement  $z$ . Thus, their policy gain is  $U_i(z) - U_i(x_0)$ . In the extended model suggested here, actors also care about how much of their total policy ambition, given by  $U_i(x_i) - U_i(x_0)$ , they continue to sacrifice. This policy sacrifice is given by  $U_i(x_i) - U_i(z)$ . Now, it is easy to see that  $\rho_i$  expresses a players' *sacrifice ratio*, that is, the maximal policy sacrifice player  $i$  is willing to make relative to her policy ambition:

$$\frac{|U_i(x_i) - U_i(z)|}{|U_i(x_i) - U_i(x_0)|} = \frac{\|x_i - (x_i + \frac{1 + \sigma_i}{1 + \gamma_i}(x_0 - x_i))\|}{\|x_0 - x_i\|} = \rho_i. \quad (4)$$

The sacrifice ratio is simply one particular notion of how positional considerations (most notably "office" and "votes") matter in actors' legislative behavior. Here we are not concerned with defending this particular concept against others. Rather, we want to use the notion of the sacrifice ratio to develop hypotheses about how players' government status affects the size of the winset. Our goal is not

to measure the sacrifice ratio of actors but to derive differences in parties' (average) sacrifice ratios from the way in which political institutions structure the policy process and assign political responsibility.<sup>4</sup>

The first step is to form expectations about relative sizes of  $\sigma_i$  and  $\gamma_i$ , and thus  $\rho_i$ , for the three types of parties. As to  $\sigma_i$ , measuring the eagerness to achieve policy change, the important difference is between government parties (g) on the one hand, and neutral (n) and opposition parties (o) on the other. Voters regard most governments as being primarily responsible for "getting things done", so that governing parties associate policy change with positive positional utility. Hence, we can expect  $\sigma_g > \sigma_{o/n}$ . For  $\gamma_i$ , the sensitivity to policy sacrifice, the important difference is between government and neutral parties on the one hand, and opposition parties on the other. Opposition parties, but not neutral parties, have a clear incentive to deny the government policy successes. As opposition parties find it more difficult to claim responsibility for policy change, they will only make deals with the government if the outcome sends a clear signal to voters that the party actually made a difference. Hence, opposition parties will generally be sensitive to policy sacrifices. They will not simply help the government to pass its own program, but try to extract significant concessions. As a result, we expect  $\gamma_{g,n} < \gamma_o$ .

From this we derive the following hypothesis about parties' sacrifice ratios: Government parties can be assumed to be the most accommodating, opposition parties the least accommodating, and neutral parties somewhere in between ( $\rho_g > \rho_n > \rho_o$ ). Note that we do not assume that neutral actors behave as in the standard model ( $\rho_n = 1$ ) and that the preferred sets of government or opposition parties are larger or lower than in the standard model. More precisely, it may be that all three types of parties are, in order not to discourage their constituents, fairly sensitive to policy sacrifices. As a result, not only opposition parties but also neutral and governing parties may have smaller preferred-to-sets than in the standard model. What we do hypothesize, however, is that there are clear and significant differences in the accommodating behavior of the three types of parties.

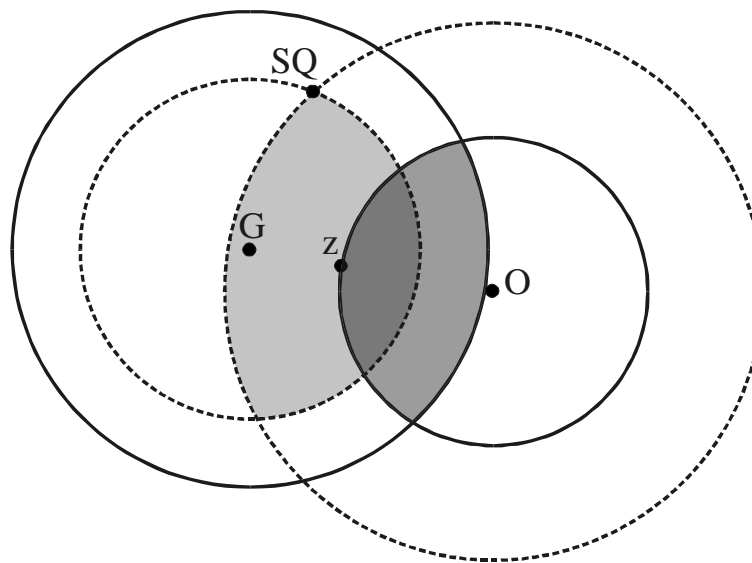
These differences do not, of course, translate directly into differences between the sizes of the winset in different veto player constellations. Whether or not an actor's sacrifice ratio makes a difference to the size of the winset is conditional upon the other variables of the veto player model, most notably actors' policy ideal points. However, we can state the effect of players' sacrifice ratios on the size of the winset in the same way as veto player theory states the effect of players' congruence (that is, the distance between their ideal points): if one player's sacrifice ratio increases, the winset of the status quo is likely to increase and it will never decrease; conversely, a decreasing sacrifice ratio tends to decrease the size of the winset but will never increase it.

To illustrate these points, consider Figure 1, which shows two veto players: a one-party minority government  $G$  and a potential oppositional support party  $O$ . The dotted indifference curves are those of the standard model, the others those of the extended model. In the situation depicted in the figure,  $G$  is accommodating. That is, it has a sacrifice ratio of above 1; hence, it accepts minor policy losses if these are necessary to achieve political change. In contrast,  $O$  is non-accommodating. It has a sacrifice ratio of below 1; therefore, it needs some minimum policy gain to accept a change of the status quo. Comparing the winsets of the standard and the modified model reveals two important points. First, the existence of an oppositional veto player may reduce the size of the winset (because  $O$ 's preferred-to-set is reduced), but it does not have to. In Figure 1, since  $G$ 's preferred-to-set is in-

4 Estimating actors' sacrifice ratios is difficult, but not more difficult than estimating spatial preferences. In fact, if we had precise data on policy preferences, sacrifice ratios could be inferred from the difference between actors' policy ideal points and their voting behavior.

creased compared to the standard model, the size of the winset remains (almost) unchanged. If  $G$  were a pure policy-seeker as in the standard model, the fact that  $O$  expects positional losses from policy change would result in a reduction in the size of the winset. This links up to the second point: Whether or not  $G$ 's sacrifice ratio is higher or equal to one, the winset is shifted toward  $O$ 's ideal point. In order to reach an agreement,  $G$  has to compensate  $O$  for its positional losses. Even with extensive agenda-setting power,  $G$  can at best realize the  $z$  policy. In contrast to standard veto player theory, our model implies that oppositional support parties have *effective* veto power and must not be disregarded as veto players.

**Figure 1: Effect of Positional Utility on Policy Winset**



The main conclusion from our analysis is that parties' level of accommodation varies systematically with their government status. This leads to two hypotheses about policy outcomes that can be tested empirically:

- Hypothesis 1: The size of concessions to a particular partisan veto player increases as its status changes from “government” to “neutral” or “opposition”, or from “neutral” to “opposition”, everything else being equal.
- Hypothesis 2: The size of the winset never increases (but may decrease) as we replace a government party with a neutral or opposition party, or a neutral party with an opposition party.

In the next section, we confront these hypotheses with evidence from two case comparisons: between coalition governments in unicameral Denmark and Finland, and bicameralism in Germany and Australia.

### 3 Testing the Government Status Hypothesis

Although Denmark and Finland, as well as Germany and Australia, are similar in many crucial aspects, they differ in the government status of the veto players. Denmark's frequent minority governments establish at least one opposition party as a potential veto player, while in Finland all the veto players are typically included within the government coalition. Similarly, in the Australian Senate, the decisive position is typically held by a neutral party (most notably the Australian Democrats), while in Germany this position is often held by the major opposition party in the lower chamber (see Table 2).

**Table 2: Government Status and Type of Legislature**

	Government status of veto players	
legislature	only government or neutral parties	also opposition parties
unicameral	Finland	Denmark
bicameral	Australia	Germany

The case comparison will focus on the period from the early 1980s to the early 2000s. The pragmatic reason is that for this period we have expert survey data on parties' positions on a general left-right scale. The more theoretical reason is that the systematic effect of government status should become more visible as stark ideological divisions between "socialist" and "bourgeois" parties become less important, which is what happened from the 1980s on.

Such a comparative test is certainly not decisive; it is rather a first step to establish the fruitfulness of our theoretical perspective. Ultimately, one would wish to perform a quantitative test, with a larger set of countries, which would require, however, fairly precise estimates of parties' policy preferences on specific issues. Only then would it be possible to test whether government status affects legislative behavior, hereby controlling for the policy distances between veto players. For the time being, we largely have to rely on the characterization of legislative politics by country experts with in-depth knowledge of many decision-making processes on important pieces of legislation.

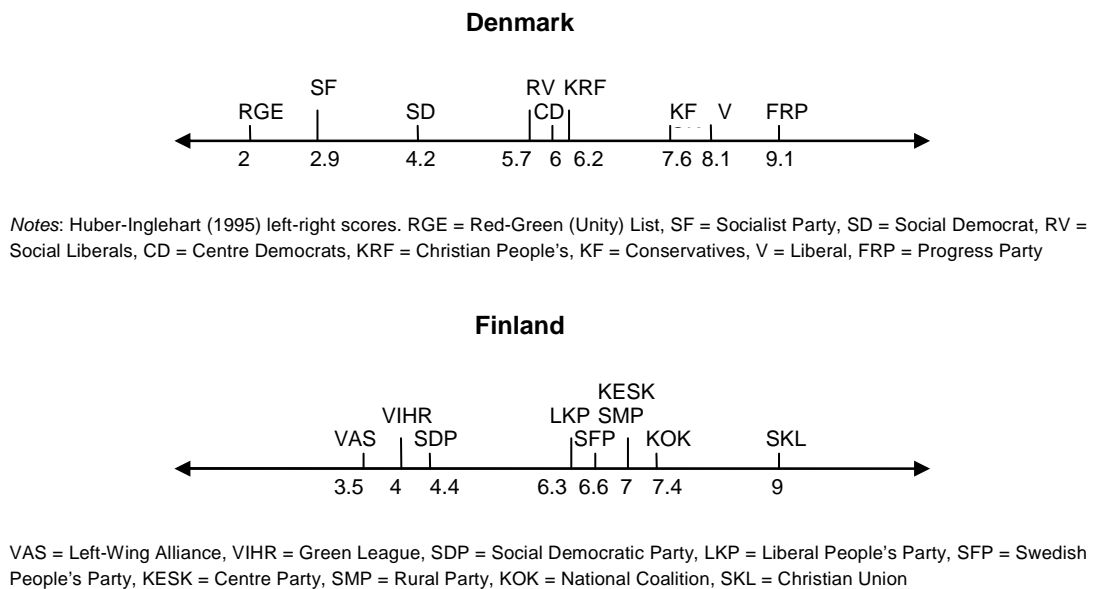
#### 3.1 Comparison 1: Denmark and Finland

Denmark and Finland are small, Nordic, parliamentary, and unicameral "consensus democracies" with highly fragmented party systems.<sup>5</sup> On Lijphart's (1999b: 255) two-dimensional map of democracies, Denmark and Finland are close neighbors. The two countries differ, however, in the extent to which the relevant veto players share formal responsibility for policy outputs. Unlike in Denmark, in Finland

<sup>5</sup> Before the recent completion of constitutional reform, the Finnish constitution could be described as semi-presidential. Nevertheless, in the following we ignore the Finnish president for three reasons: his formal legislative power had always been severely restricted; even in the period up to 1987 the actual presidential incursions into the domestic-policy process were limited and exceptional; and after 1987 the president's role in domestic policymaking diminished further.

the agreement of the governing parties was typically sufficient to pass a bill into law. Finnish coalitions had majority status, while almost all Danish governments (except from 01/93 to 02/94) had not.<sup>6</sup>

**Figure 2: Left-right Placement of Danish and Finnish Parties**



## Denmark

Figure 2 gives a stylized one-dimensional description of the Danish party system, based on Huber and Inglehart's (1995) left-right expert scores.<sup>7</sup> Since 1982 all governments have been coalitions and there have been no coalitions "across the center". That is, no government has included the Social Democrats on the one hand and Liberals or Conservatives on the other. Partly as a result, the "ideological range" of Danish coalitions was moderate. It ranged from 0.5 (Liberals and Conservatives) to 2.5 (from the Liberals to the Social Liberals).

If all parties were pure policy-seekers in the legislative arena, even minority coalitions could be expected not to grant significant concessions to opposition parties because they can choose their support party (see section 2 above). What governments need of course is agenda-setting power. Danish governments do possess a crucial instrument in this regard: the power to make the last amendment (Heller 2001a: 791; Tsebelis 2002: 98-99). If opposition parties tend to be non-accommodating, however, even minority governments with agenda-setting power can be forced to make significant concessions in order to achieve policy change.

In Denmark, this became most obvious during the reign of the five bourgeois governments under Prime Minister Poul Schlüter governing between October 1982 and January 1993 (Damgaard

<sup>6</sup> Finnish coalitions were in fact typically "oversized". However, one reason for this was that until 1992 constitutional rules allowed one-third of all MPs to postpone the final adoption of an ordinary law by two to four years by voting it to lie dormant.

<sup>7</sup> We rely on Huber and Inglehart (1995) mainly because they cover more parties in the four countries under consideration than comparable expert surveys.

1992; Fitzmaurice 2001). The first three of these coalitions included Liberals (V), Conservatives (KF), Christian People's Party (KRF), and Center Democrats (CD), the fourth replaced the two smaller parties (KRF and CD) with the Social Liberals (RV), and the fifth did not include any of the smaller non-socialist parties. The main problem of these governments was that the only potential support party on the right was the fairly extreme anti-tax Progress Party (FRP). The problem was not (anymore) that governments wanted to ostracize the FRP (Green-Pedersen 2001: 59), but that this potential support party had both a large policy ambition (that is, an ideal point far away from the status quo) and was non-accommodating. Hence, although many government proposals were clearly better for the FRP than the high-tax status quo, the potential policy gain was not enough to justify making deals with the government and thereby taking responsibility for only minor policy improvements. This led to the fall of the first Schlüter cabinet after only 16 months: toward the end of 1983, the government initially seemed to have the support on its budget bill of both Social Liberals and the Progress Party; however, once the government presented the bill before parliament, the Progress Party pulled out of the agreement and called for more tax cuts. The government lost the vote and had to call new elections.

Not only the non-accommodating behavior of the Progress Party is noteworthy but also that of the Social Democrats (SD). The latter party was the main contender for the government and, therefore, non-accommodating. Before the 1980s, an informal norm of Danish parliamentarism had been established in order to mitigate such non-accommodating behavior: "responsible" parties, at least on budget bills, were expected to eventually support the proposal, whether they liked it or not (Damgaard 1992: 36). In the 1980s, however, the Social Democrats started to undermine this norm and used the budget in order to challenge and potentially embarrass the government – partly with success as shown above.

The early elections strengthened the bourgeois parties so that the second Schlüter government could rely exclusively on the Social Liberals. While this constellation made for more stable and predictable policymaking, the non-accommodating behavior of the Progress Party still denied the government the kind of flexibility needed to avoid the granting of significant policy concessions. This lack of flexibility also contributed to the fact that the Schlüter governments were often defeated by an "alternative majority" in parliament. The reason was that while the centrist Social Liberals were more accommodating than either the Progress Party or the Social Democrats, they were of course unwilling to accept large policy sacrifices or even absolute policy losses. Hence, they voted with the "socialist" opposition on issues such as foreign policy, social and housing policy, legal reforms, local government taxation, and the environment. From 1982 to 1988, e.g., the Schlüter governments lost 8 percent of the final votes in parliament (Damgaard 1992).

After the election in 1987 and until the end of the bourgeois reign in 1993, the government again needed either the Social Democrats or the Progress Party to pass a bill into law. Since both parties were non-accommodating, the government had to make significant concessions. In the negotiations for the 1988 budget, e.g., the government was unable to get support from the Progress Party and ended up making "excessive" concessions to the Social Democrats (Green-Pedersen 2001: 60). After 1988 the government could get the support of the Progress Party (including budget bills), but this support was neither completely inexpensive in policy terms nor reliable. Getting the Social Democrats was not much easier, however, so that on many major reform projects "the results were meager indeed" (Green-Pedersen 2001: 61). Important areas of economic policy were characterized by stability rather than change.

Social Democratic-led minority coalitions governing from 1994 to 2001 were both more stable and more successful in implementing their legislative agenda. This is a reminder that the differences

between the sacrifice ratios of government and opposition parties are only one important variable influencing policy change. A noteworthy difference between the two periods of Danish politics, for example, is that the economic policy preferences of the Social Democrats (and of the left-wing socialist parties) shifted significantly towards the right during the 1990s, which increased the potential for policy change (Green-Pedersen 2001).

## Finland

The lower part of Figure 2 shows the positioning of major Finnish parties in the period under consideration. In contrast to Denmark, Finland has a fairly long tradition of cross-block coalitions, mainly built around Social Democrats (SDP) and the Center Party (KESK). Partly as a result, the ideological range of coalitions in the 1980s and 1990s tended to be somewhat larger than in Denmark: the range was between 2.5 and 4; only in 1994, a government with a range of below 1 was in place for less than one year. After 1987 all coalitions included both KOK and the Swedish People's Party (SFP). From 1987 to 1991, these two parties formed a coalition with the SDP and initially also with the Rural Party (SMP). From 1991 to 1995, they formed a coalition with KESK and initially also with the Christian Union (SKL). Between 1995 and 2003, Finland was governed by the very heterogeneous five-party "Rainbow Coalition", comprising VAS (Left-Wing Alliance), VIHR (Greens), SDP, SFP and KOK.

Based on the standard veto player model, one could expect the more heterogeneous Finnish coalitions to be characterized by a somewhat greater likelihood of policy gridlock and, as a result, greater government instability. This, however, was not the case. After 1977, governments formally resigned only after presidential or parliamentary elections; and only occasionally did they lose a (surplus) coalition party (Nousiainen 2000).

We contend that one reason for these findings is that coalition parties, due to their positional considerations, tend to be relatively accommodating. First, partly as a result of ideological convergence and strong exogenous pressures, virtually all parties can cooperate with each other as part of the governing coalition and are keen on doing so. The electoral consequences of being a coalition party are either considered unpredictable or reinforce the attractiveness of government participation. "[T]here is a real crush to the government: party leaders want to get involved in effective decision making rather than staying in an unprofitable opposition for four years" (Nousiainen 2000: 293). Second, after supermajoritarian rules in parliament had been abolished in the early 1990s, small flank parties in oversized coalitions became "real" surplus parties that were not necessary to ensure legislation and could be tossed overboard without much fuss. Because such a party knows that its veto potential is quite limited, it will probably only participate in a government if it expects significant positional gains. In combination, these two characteristics of recent Finnish politics go a long way toward explaining why ideologically heterogeneous coalitions do not lead to frequent deadlock or high government instability. In Nousiainen's terms, party leaders' "area of tolerance" in the bargaining process is broad and coalition bargaining is characterized by high "policy elasticity" (Nousiainen 2000: 288, 293). The extended veto player model presented in section 2 helps to make sense of this characterization. While the policy positions of Finnish parties converged somewhat during the 1980s and 1990s, this convergence is insufficient to explain a large potential for policy change. After all, Figure 2 suggests that policy differences continue to be significant. What seems to have happened, therefore, is that parties' positional incentives changed in a way that, compared to previous periods, their preferred-to-sets increased.



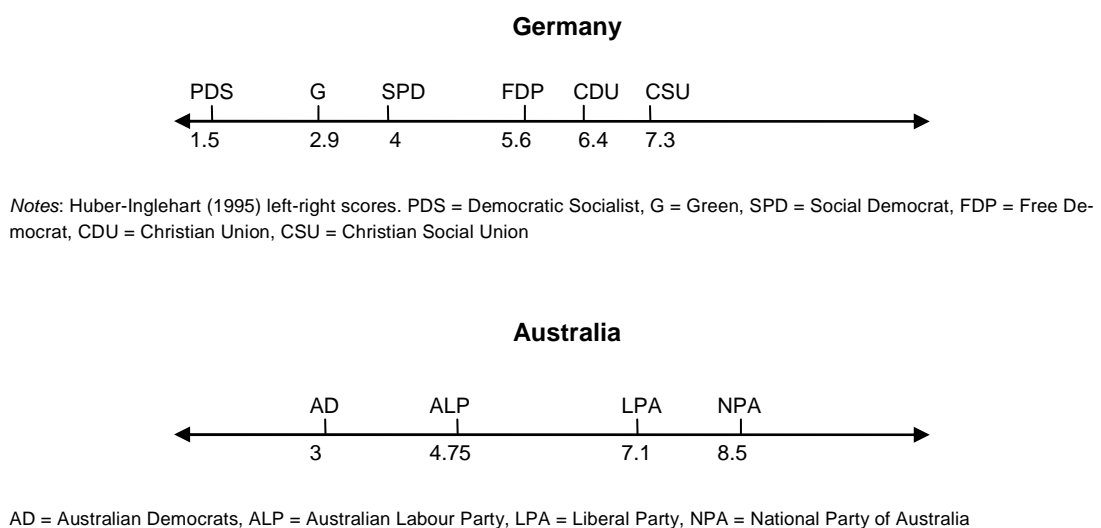
The importance of positional considerations of parties can best be exemplified with respect to the left flank parties of the Rainbow coalition, VAS and VIHR (Jungar, 2002). Social Democrats included these parties explicitly to reduce the veto power of each of them and to ensure that no party would be able to require more than it was entitled to with respect to its electoral strength. The left preferred government participation because they were keen on getting government offices and considered the prospects of winning votes in opposition dim. Due to these expected positional gains, they were willing – both at the time of coalition bargaining and afterwards – to make large policy sacrifices. As one Green politician put it: “The [government] programme is in many respects a catastrophe, but power is not often offered – when it is, one has to grab it” (cited in Jungar 2002: 74).

As in the Danish case, of course, positional considerations are only one of various important variables. If policy gains are too small or policy losses too large, the winset of the status quo becomes empty. This happened when in 2002 the Rainbow coalition decided – against the votes of VIHR – to build a fifth nuclear power plant. Even with a policy loss of this size and importance, the leader of the Finnish Greens, Social Minister Soininvaara, was in favor of staying in the coalition. Eventually, however, this loss proved to be too large for the party as a whole, so that it left the government.

### 3.2 Comparison 2: Germany and Australia

Germany and Australia are both federal countries with parliamentary systems and strong second chambers. The German Bundesrat is a potential veto player on all “mandatory” legislation, that is, legislation that affects the interests and administration of the constituent states (Bräuninger/König 1999). The Australian Senate is a potential veto player on all bills. For our purposes, the main difference between the two countries is that the pivotal actors in the second chambers are typically “neutral” in Australia but often “oppositional” in Germany.

**Figure 3: Left-right placement of German and Australian parties**



## Germany

As Figure 3 shows, more parties are represented in the Bundestag than in the Australian Senate. As in Australia, however, the party system of Germany was characterized by a two-block logic. This logic was first established by the FDP, which was part of a coalition with the SPD (1969-1982) and the CDU/CSU (1982-1998). Later the consolidation of the Greens as an established party and the rightward movement of the FDP created a real two-bloc system, with the PDS being ostracised by the other parties. In 1998, an SPD-Green government took office.

The Bundesrat became a real veto player in 1969, when the SPD-FDP coalition faced a second chamber in which state governments led by the federal opposition parties had a majority. As a result, the Bundesrat became highly “politicized” (Sturm 2001: 176). While in the 1950s and 1960s, the Bundesrat had tended to block legislation if it was not fulfilling the criteria for efficient implementation, the CDU/CSU now used the Bundesrat “aggressively” in order to “thwart the agenda” of the Social-Liberal government (Silvia 1999: 176-77). Even though the increased level of conflict during times of “divided government” was partly the result of a higher incongruence of policy preferences, this was not the whole story. Instead, most experts considered the vote-seeking incentives of opposition parties to reduce the potential for policy change (Lehmbruch 2000). This view is apparent in a proposal made by Wilhelm Hennis, a prominent German political scientist, stating that grand coalitions should be installed in all the Länder. This was to “remove party politics from the Bundesrat” and “force the major competitors in the political system to co-operate” (Sturm 2001: 177).

The formation of the CDU/CSU-FDP coalition in 1982 brought the two chambers back into political alignment for several years. This alignment increased the potential for policy change by augmenting veto player congruence and by making the majority of state governments in the Bundesrat accommodating. Since the policy preferences of the CDU-led state governments were often derived from their own economic and budgetary situation, they were not necessarily in line with that of the federal coalition (König 2001). In such situations policy change was facilitated by state governments’ positional interests in helping the federal government to pursue its policy agenda – and to strengthen the party label.

The period of political alignment between the two chambers ended in 1991, when congruent state governments (CDU/CSU-FDP) lost their majority in the Bundesrat. After October 1994 oppositional governments alone had a blocking majority.<sup>8</sup> Especially in the latter period, “[t]he SPD proved no less hesitant than the Christian Democrats were in the 1970s and early 1980s to exploit the new majorities in the Bundesrat and the mediation committee to their full extent” (Silvia 1999: 178). It used the mediation committee to significantly modify government legislation and killed a number of important bills altogether. The one that received most attention – and triggered a broad debate about constitutional reform – was the government’s tax reform bill, arguably its major economic policy project. With respect to this bill, it seemed most obvious that its rejection could not only have been due to the policy preferences of the Bundesrat majority, but also to its vote-seeking incentives (Zohlnhöfer 1999).

After an SPD-Green government took office at the end of 1998, there was a short period of unified government. Already in April 1999, however, the government lost its majority in the Bundesrat. The result was once more cases of reform projects on which no agreement could be found between

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8 As a general rule, “mixed governments” of federal government and opposition parties abstain when they cannot agree on a Bundesrat vote. However, the support of mixed governments seems somewhat more likely to be bought by the federal government.

government and Bundesrat majority, despite fairly similar policy preferences. One example of this is the government's pension reform, which – like its major tax reform – could only be passed because some of the “mixed” state governments could be won over with side-payments. The latter result is not untypical. In fact, for observers like Scharpf (1997: 194, n. 17) the fact that the “federal government is sometimes able to buy off party-political opposition by offering concessions to some state interests” is one main reason why German-style divided government does not lead to complete deadlock on major policy issues.

### **Australia**

Figure 3 shows the left-right placement of the four most important Australian parties in the period under consideration. In the House of Representatives, two blocks face each other: with ALP on the one hand, and LPA and NPA, two very close allies referred to as the “Coalition”, on the other. From 1983 to 1996, Australia was governed by the ALP, afterwards by the Coalition. In the Senate, the three major parties also controlled most seats, but none of the two blocks had a majority of its own because a number of minor parties (and independents) also gained representation. The most important of these minor parties, the Australian Democrats, is included in Huber and Inglehart's expert study shown in Figure 3.

There is of course a well-known (in-)famous instance in which clearly non-accommodating behavior of the Senate majority led to complete deadlock in Australia: the constitutional crisis of 1975, in which the Senate deliberately provoked the dismissal of the ALP Prime Minister by refusing to pass the government's appropriations bills. This example provides excellent support for our hypothesis, however, because in 1975 the opposition parties proper, that is, the Liberal and the National party, had a blocking majority in the Senate. If this were typically so, the Senate would tend to be a very non-accommodating veto player (cf. Sharman 1999: 354).

The crucial players in the Senate are usually the minor parties, especially the Australian Democrats. Note that this is not obvious in Figure 3. When ALP governments adopted neo-liberal policies in the 1980s and early 1990s, the ideologically closest support party in the Senate might often have been the Liberals. However, both opposition parties proper frequently behaved in a non-accommodating fashion, which often established the Democrats as the crucial support party. Yet this party, as well as the other truly neutral minor parties and independents, had no reason to block the government's agenda. It had virtually no chance of gaining representation in the House of Representatives (which is elected under the Alternative Vote System); it did not compete for government office; therefore, it could not hope to implement its own ideal policies after the next election. Its main purpose as a Senate party was to review and modify the policies of the incumbent government.

Minor parties also have hardly any vote-seeking incentive to block government initiatives. In fact, the “Westminster” norms underlying the Australian constitution tend to turn minor parties into particularly accommodating actors. While many voters welcome minor parties as a moderating force in Australian politics (Bean/Wattenberg 1998; Goot 1999), they also want them to accept the norm that it is mainly the government that has the mandate to govern. Because minor parties are well aware of this, they have no incentive to block government legislation for electoral reasons (Young 1999: 17). The actual behavior of minor parties reflects this incentive structure. This was clearly evident in the 1980s, when minor parties' main goal was to “keep the bastards [of the government] honest” (Warhurst 1997). Rather than pursuing their own policy agenda, minor parties mainly acted as agents of accountability and review. This led to a strengthening of parliament and a rejuvenation of the legislative

process. It did not, however, lead minor parties to aggressively pursue their own policy preferences—not to speak of electorally motivated vetoes (Goot 1999; Sharman 1999).

Since the early 1990s minor parties have become more active in the sense that they started to claim particular mandates of their own (based on their election pledges). This was an effort to at least loosen the “Westminster” straightjacket in which these parties found themselves. In stark contrast to the status of oppositional state governments in the German Bundesrat, Australian parties actually had to argue that significantly modifying or vetoing government policies is legitimate, even though their actual legislative behavior remained very accommodating. The 1993 budget bill, for instance, is considered the prime example for increased minor party “activism” vis-à-vis the Labor government. Young (1999) shows, however, that minor parties mainly challenged the budget on procedural issues related to the chamber’s review function. With respect to the actual policy issues concerned, they restricted themselves to marginal improvements of the government’s proposal rather than pursuing their own policy agenda. Although they criticized the government’s twin goals of deficit reduction and income tax cuts, they nevertheless accepted these goals as “immovable parameters within which any policy alternatives the minor parties might suggest would have to fit” (p. 22).

In the period after 1996, in particular, the standard veto player model would predict a greater than ever policy deadlock in Australia because the distance between the government and minor parties increased. Policy deadlock should also be more frequent than in Germany because minor parties are much more cohesive than party blocks in the German Bundesrat. None of these expectations is borne out by the Australian experience, however. An excellent example for how accommodating minor parties actually behave is the introduction of a Goods and Services Tax (GST), one of the core economic policy projects of the government. In 1998, when the government called early elections in order to ask the voters for an explicit electoral mandate for introducing a GST, the Democrats clearly expressed their opposition to the government’s reform agenda. Once the government had won the election and pursued GST reform, however, the Democrat’s leadership adopted an accommodating stance and once more bargained for improvements at the margins, most notably the exemption of basic food, a somewhat more generous compensation package for the disadvantaged, and lower income tax cuts for the well-off (Eccleston 2002, ch. 7). In fact, the concessions to the Democrats were so moderate that the party’s leader, Meg Lees, lost her leadership as a result.

#### **4 Discussion and Conclusion**

In this paper we have explored the conjecture that formal responsibility for political change makes a difference for parties’ legislative behavior and, hence, policy output. We have formalized this conjecture within a veto player framework and derived the hypothesis that there should be significant differences between the preferred-to-sets of three types of parties, everything else being equal. We contend that government parties are most accommodating, that is, they have the largest preferred-to-sets, because they tend to associate legislative change with positional gains. They believe that “getting things done” increases their chances of re-election and helps to maintain their office status. Opposition parties, by contrast, are much less accommodating (that is, have lower preferred-to-sets) because they face greater difficulty in claiming credit for policy change. In order to enter into an agreement with government parties, they have to achieve significant policy gains in order to send a clear signal to their

voters that their participation in decision-making makes a difference. Finally, we expect that the level of neutral parties – that is, parties that are neither in government nor compete for government office – is somewhere between government and opposition parties.

To explore this hypothesis, we performed two comparisons of “most” similar political systems, which differ in the government status of crucial veto players. We compared minority coalitions in Denmark and (oversized) majority coalitions in Finland, as well as strong bicameralism in Germany and Australia. While both case comparisons certainly do not provide decisive tests of the government status hypothesis, they support it. Finnish coalition parties’ positional goals of becoming, or staying, part of the governing coalition tended to make them accommodating, while the positional incentives of opposition parties in Denmark could lead to situations of policy deadlock and “alternative majorities”. Similarly, experts of German bicameralism diagnose non-accommodating behavior of the Bundesrat majority, if it is controlled by the opposition parties at the federal level. In contrast, the Australian Senate is generally fairly accommodating, because the crucial support parties in the Senate are neutral parties and not opposition parties proper.

While our analysis supports Goodin’s conjecture, it also shows that his theoretical distinction between joint and divided responsibility is not perfectly congruent with the two empirical dimensions of democracy identified by Lijphart (1999). It provides no theoretical reason for associating Danish minority governments with the “joint power” dimension but Australian bicameralism with the “divided power” dimension, as it is done by Lijphart. We believe that this has important consequences for both empirical analysis and constitutional engineering. As for empirical analysis, Lijphart (1999b: 5; 2003) uses the theoretical distinction between joint and divided responsibility to justify the inclusion of interest groups into the executives-parties dimension and central banks into the federal-unitary dimension. Given our analysis above, we doubt whether this distinction can indeed provide this justification. As to constitutional engineering, Lijphart tends to make a fairly direct transition from his empirically identified types to recommendations for institutional reform. For example, he argues in favor of proportional representation (PR) in the Australian House of Representatives, since this would push Australia further towards the empirical consensus model, which supposedly makes for “gentler and kinder” democracy (Lijphart 1999a). But from the theoretical perspective developed here, it is not clear that constitutional reform along these lines would be desirable. The Australian status quo seems quite attractive in that it provides for fairly strong governments but no “elective dictatorships”. It provides for a strong institutional veto player, which, however, is typically controlled by a very accommodating partisan veto player. Therefore, the fairly weak aggregate empirical evidence in favor of consensus democracy (Lijphart 1999b, chs. 15-16) seems insufficient as a justification for institutional reform.

The example suggests that there does remain a theoretical deficit in Lijphart’s conception of modern democracy. Therefore, we applaud Tsebelis’ efforts to complement and challenge Lijphart’s empirical approach with a theoretically guided analysis of comparative political institutions. Such an approach is well suited to understand how various institutional variables interact in particular circumstances to produce legislative outputs. However, by supporting Goodin’s conjecture, our analysis also suggests that Tsebelis’ theoretical framework may be usefully extended by explicitly modeling how differences in parties’ responsibility for policy outputs may translate into differences in legislative behaviour. This can not only extend to questions of constitutional engineering which can be informed by a veto player framework, but it may also increase measurement validity in empirical studies. First, our analysis suggests that at least one opposition party is a veto player in the case of minority govern-

ments, even if the government does have strong agenda-setting powers. The reason is that the agenda-setter can only pick policies within the winset, but this winset may be reduced and/or shifted towards the opposition party as a result of parties' positional (that is, vote- and office-) considerations.

Second, the analysis suggests that even within the veto player framework it might be useful to distinguish between types of veto players (cf. Birchfield/Crepaz 1998), depending on actors' government status. Such a distinction might not only provide for a more detailed measurement of institutional structures, but also introduce more intertemporal change. In the Australian example, the Senate seems to be a stronger veto point when controlled by the opposition of Liberal and National Parties and a weaker one when controlled by the minor parties. It may thus be misleading to code the respective periods identically in (pooled) times series analyses of legislative output. Of course, much remains to be done to justify and develop such more subtle coding schemes, since government status is certainly not the only aspect in which veto players differ. For example, we noted above that while the Bundesrat majority in Germany is frequently controlled by the federal opposition parties, this control is often a fairly weak one due to the lack of voting discipline. It is thus not obvious whether the Bundesrat should be coded as a strong or a weak veto player in quantitative analysis.

Finally, while we have focused on the government status-hypothesis, we believe that the underlying formal model may be useful in thinking about policy-making more generally. The kind of positional considerations the model seeks to capture might explain not only cross-country but also intertemporal or intersectoral variations of legislative behavior. In the case of minority governments, it is well known that parties' level of accommodation, that is, their sacrifice ratio, varies over time. This variation is often driven by the electoral cycle, with fairly accommodating stances of opposition parties after an election and less accommodating behavior as a new election is approaching. Similarly, it seems that intersectoral differences in "issue ownership" make a difference (cf. Green-Pedersen, 2001).

Generally speaking, there is much evidence that the political cycle of electoral competition, government formation and legislative decision-making is not only linked but, at any stage, fundamentally shapes the behavior of political actors who are goal-oriented, foresighted, and act strategically. But so far, most models of legislative behavior have focused on either the policy, or the vote, or the office motivation of political actors. Our analysis suggests that for the comparative analysis of political institutions, thinking in terms of an interaction of policy and positional motivations of legislative actors is worthwhile.

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